

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY SAIGON

INFO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS

AMCONSUL BIEN HOA

AMCONSUL CAN THO

AMCONSUL DANANG

AMCONSUL HONG KONG

AMCONSUL NHA TRANG

USDEL JEC PARIS

USSAG NAKHON PHANOM

CINCPAC

COGARD

TREASURY

XMT AMEMBASSY SUVA

UNCLAS STATE 135463

COGARD FOR POLAD

E.O. 11652: /A

TAGS: PFOR, XC, US

UBJECT: JUNE 24 EA PRESS SUMMARY

INDOCHINA

1. COMMUNISTS WALK OUT ON SAIGON TALKS WITH GVN AND US
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FOR SECOND TIME SINCE MAY; VC RADIO STATES THAT BREAKOFF
DUE TO GVN SINKING OF NVN VESSEL OFF SVN COAST, AND TO
US EMBASSY STATEMENT ASSAILING HANOI (CSM). COMMUNISTS
SAY GVN AND US HAVE NOT SHOWN "SERIOUS ATTITUDE" IN

NEGOTIATIONS AND CONTINUE TO INTENSIFY WAR (CHITRIB; AP, NYDN). VC STATEMENT SAYS COMMUNIST DELEGATIONS WILL RETURN WHEN US AND "THIEU ADMINISTRATION" END SABOTAGE OF MEETINGS, GUARANTEE PRIVILEGES AND IMMUNITIES, AND ADOPT "SERIOUS AND CORRECT" ATTITUDE IN JOINT MIL COMMISSIONS AS WELL AS AT PARIS CONFERENCE (AP, SUN). WESTERN DIPLOMATIC OBSERVERS ARE SURPRISED THAT TALKS BROKE DOWN SO SOON AFTER JUNE 11 RESUMPTION, OPINE THAT SUSPENSION WILL PROBABLY BE LONG (WP). MARKHAM (NYT) AT SAIGON REPORTS THAT WALKOUT STATEMENT BY NLF MFA WAS LATER BACKED BY HANOI DELEGATION, UNDER ORDERS. CHARACTERIZES TALKS AS NEVER MUCH MORE THAN "VITRIOLIC EXCHANGES." QUOTES SOME DIPLOMATS THAT COMMUNISTS MAY HAVE BEGUN CAMPAIGN TO DEMONSTRATE COMPLETE BREAKDOWN OF PARIS AGREEMENTS TO WORLD OPINION. SAYS

SAIGON DECISION TO RESUME TALKS - "WIDELY READ HERE" AS CONCESSION TO US CONGRESSIONAL OPINION - OBLIGED COMMUNISTS TO RETURN AT LEAST TEMPORARILY TO CONFERENCES, BUT MANY OBSERVERS BELIEVE COMMUNISTS VALUE C-F COMMISSIONS MAINLY FOR ACCESS TO FOREIGN PRESS, AND THEY NOW HAVE WHAT IS MOST IMPORTANT TO THEM.

2. LAT'S MCARTHUR FROM SAIGON (JUNE 21) REPORTS THAT THOUGH COMMERCIAL PLANES SELDOM FIRED AT DURING WAR, SEVERAL CIVILIAN PILOTS SAY COMMUNISTS HAVE RECENTLY BEGUN TO FIRE VARIETY OF AA WEAPONS AT THEM. AIR VN FLIGHT FROM PP IN APRIL WAS HIT BY IMPROVED SOVIET-BUILT SA-7 "STRELA" MISSILE, BUT LANDED SAFELY. ON MAY 13 CHINA AIRLINES PLANE UNDER CHARTER TO AIR AMERICA WAS HIT BY MISSILE ABOUT 75 MILES NW OF SAIGON, AND CRASH-LANDED. EARLIER THIS MONTH AN AIR VN PLANE RAN INTO CONVENTIONAL AA FIRE NEAR KONTUM. OFFICIALS ADMIT SERIOUS CONCERN OVER FIRINGS, ESPECIALLY SINCE ADVANCED TYPE OF SA-7 RECENTLY INTRODUCED INTO SVN, BUT AMEMBASSY AND GVN RELUCTANT TO DISCUSS SA-7 BECAUSE UNCLASSIFIED

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THEY DON'T WANT HANOI TO KNOW HOW EFFECTIVE IT IS, AND AIR VN HAS NOT COMMENTED SINCE IT DOESN'T WANT TO PANIC PASSENGERS (AP; PHINQ).

3. SHIPLER (NYT) FROM PP TELLS OF "BOOMING" FOOD BUSINESS IN CAMBODIA, WITH HUGE PROFITS FOR MERCHANTS. WITH MAJOR CITIES BESIEGED, FOOD IS FLOWN IN FROM OUTLYING AREAS; FISH TRIPLES IN PRICE ON SHORT FLIGHTS, BEEF ALMOST DOUBLES, AND SUGAR RISES 50 PERCENT. MANY FAMILIES IN CAPITAL SPEND ENTIRE INCOME FOR FOOD. SIXTEEN PRIVATE AIRLINES OPERATE OLD DC-3S WITH US AND TAIWANESE PILOTS. AIRLIFT COSTS TO PP RUN ABOUT TEN CENTS A POUND,

AND EVEN WITH BRIBES AND OTHER COSTS BUSINESSMEN ESTIMATE THAT MERCHANTS MAKE PROFIT OF AT LEAST 55 CENTS PER POUND AND A DC-3 CARRIES 7000 LBS, AND USUALLY MAKES TWO OR THREE TRIPS A DAY. MERCHANTS AND OFFICIALS OVERLOAD AIRCRAFT, AND OTHERS WITH ACCESS TO PLANES HIDE GOODS IN WINGS OR OTHER HIDDEN PLACES FOR RESALE IN PP. FOOD MERCHANTS ARE ALMOST ALL ETHNIC CHINESE AND THEIR "USE" OF SHORTAGES TO DRIVE UP PRICES HAS STIRRED LATENT ANTI-CHINESE FEELING. SHIPLER SAYS AIRLIFT MADE POSSIBLE BY US SALE FOR RIELS OF FUEL PURCHASED WITH DOLLARS, QUOTES "OFFICIAL" THAT WASHINGTON AGREED TO INCREASE FUEL SUPPLIES SO LONG AS

NOT SOLD ON BLACK MARKET, AND IF AIRLINES WOULD TRANSPORT FOOD WITHIN CAMBODIA. PILOTS SAY THAT THEY SOMETIMES FLY LUXURY GOODS, AND GKR ON OCCASION FORCES PRIVATE PLANES TO FERRY TROOPS AND AMMO WITHOUT PAYMENT. PILOTS AND AIRLINE EXECUTIVES TELL OF NECESSARY BRIBES, INCLUDING THOSE MADE TO SECURITY POLICE NOT TO STEAL FUEL AND AIRPLANE PARTS. THEY COMPLAIN THAT CORRUPTION IS NOT ORGANIZED AND WITH EVERYONE OUT FOR HIMSELF, PLANNING IS DIFFICULT.

4. AIR FRANCE AND UTA SUSPEND FLIGHTS TO AND FROM PP SINCE FRIDAY BECAUSE OF "UNSATISFACTORY" CONDITIONS AT AIRPORT. RECENT INCIDENTS OVER UNCLASSIFIED

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CAPITAL, INCLUDING FIRING AT TWO CIVILIAN DC-3S BY AA BATTERIES THAT DEFEND PRESIDENTIAL PALACE, BELIEVED TO HAVE LED TO SUSPENSION. FLIGHT CONTROL EXPERTS SAY BANNED AIRSPACE AROUND PALACE DIFFICULT TO AVOID SINCE NOT CLEARLY MARKED BY IDENTIFIABLE GEOGRAPHIC FEATURES, AND AIRPORT RADAR IS INADEQUATE (AFP, WP).

5. CHITRIB'S KIRK, FROM KOMPONG CHHNANG, QUOTES US DIPLOMATS AND GKR MILITARY THAT LONG VEK HOLDOUT AGAINST REBELS IS "GREAT SUCCESS", BUT ONE GETS DIFFERENT VIEW FROM REFUGEES BROUGHT INTO KOMPONG CHHNANG. THEY TELL OF CONSTANT SHELLING THAT KILLS TEN OR 20 EVERY NIGHT AND ISOLATION OF PEOPLE FROM THEIR FIELDS. WHILE US AND GKR CLAIM THAT DEFENDERS WIDEN AREA, ONE REFUGEE SAYS THAT WHEN TROOPS PUSH IN ONE DIRECTION, ENEMY ADVANCES FROM ANOTHER; AND KIRK SEES EVACUATION OF REFUGEES AS EVIDENCE THAT GKR HAS LITTLE REAL HOPE OF SECURING LONG VEK. HE REPORTS THAT KHMER ROUGE BURNED OUDONG BLOCK-BY-BLOCK AFTER CAPTURE TO SYMBOLIZE THE ANNIHILATION OF TRADITIONAL RULE.

WHILE REFUGEES HOPE FOR TEMPORARY TRANQUILITY, KOMPONG CHHNANG GOVERNOR, OVER LAVISH MEAL, ASSURES SECURITY AND PROMISES NEW LAND FOR REFUGEES, SAYS FIGHTING IS "FAR AWAY" DESPITE T-28S BOMBING NEARBY.

6. HOUSE PASSES BILL AUTHORIZING MEO GEN. VANG PAO'S SON TO ATTEND WEST POINT, OVER OBJECTIONS THAT FOREIGNERS SHOULD NOT BE ALLOWED IN WHEN US WOMEN ARE NOT (AP, CSM).

7. GLOBE'S WERMIEL COVERS DECLASSIFIED GAO REPORT ON AID TO LAOS. REPORTS THAT "SANITIZED" SUMMARY OF REPORT WAS COMPILED BY STAFF OF KENNEDY'S SUBCOMMITTEE ON REFUGEES WHICH SAYS THAT GAO REPORT "CONTINUES TO DOCUMENT AND SUPPORT SOME INDEPENDENT SUBCOMMITTEE FINDINGS AND CONCERNS OVER THE USE OF HUMANITARIAN FUNDS AND PROGRAMS AS A 'COVER' FOR MILITARY AND PARAMILITARY PURPOSES." KENNEDY SAID POLICY "POSES UNCLASSIFIED

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A THREAT OF RENEWED CONFLICT IN SEVERAL AREAS." STAFF SUMMARY RAISES QUESTION ABOUT CLASSIFICATION PROCESS THAT KEEPS MUCH OF REPORT SECRET, CITING AID-SPONSORED VILLAGE HEALTH PROJECT, ONCE USED AS COVER FOR PARAMILITARY FORCES, BUT REMAINS PRIMARY MEDIUM FOR REFUGEE HEALTH CARE. SUMMARY ALSO SAYS THAT REFERENCES IN GAO REPORT TO STATISTICS ON CIVILIAN CASUALTIES EITHER FROM MINES OR ACCIDENTAL BOMBING DURING AIR WAR OVER LAOS REMAIN CLASSIFIED.

CHINA

8. REUTER (PEKING) REPORTS VIOLENCE AND BLOODSHED HAVE BROKEN OUT IN KIANGSI, ACCORDING TO WALL POSTERS IN CAPITAL SUNDAY. SIGNED BY WORKERS FROM NANCHANG, POSTERS REPORTED JUNE 19 INCIDENT IN WHICH BLOOD SHED AND PEOPLE JAILED. POSTERS ALSO ACCUSED RIGHT-WINGERS OF ARMING THEMSELVES WITH WOODEN STICKS AND IRON BARS AND COMMANDEERING MORE THAN 10 TRUCKS AND USING THEM AS PROPAGANDA VEHICLES. SATURDAY POSTER WRITERS MADE MOST SPECIFIC AND DAMAGING CHARGES OF THEIR CAMPAIGN, ACCUSING TWO FACTORY MANAGERS "SWORN FOLLOWERS" OF LIN PIAO -/F PLANNING COUP, SABOTAGING PRODUCTION AND OPPRESSING WORKERS (CHITRIB, NYT, SUN, WP).

9. TASS CHARGES SEN. JACKSON'S COMING PRC VISIT HAS MAIN GOAL OF COORDINATING US AND CHINESE ANTI-SOVIET FORCES; ADDS THAT MANY US POLITICAL OBSERVERS HAVE NOTICED SIMILARITY OF JACKSON'S "REACTIONARY" VIEWS AND THE ANTI-SOVIET POSITION OF PEKING (CSM'S

GRAY). CSM'S WOHL SEES SINO-SOVIET DISPUTE SPILLING OVER INTO EASTERN EUROPE. SAYS PRC'S UNWILLINGNESS TO ACCEPT ASSUMPTION THAT GERMAN QUESTION HAS BEEN SOLVED AND THAT THERE IS NO LONGER ONE SINGLE GERMAN NATION REPRESENTS SERIOUS CHALLENGE TO BOTH EAST BERLIN AND MOSCOW.

10. CARACAS NEWSPAPER EL UNIVERSAL SAYS VENEZUELA HAS DECIDED TO ESTABLISH DIPLOMATIC RELATIONS WITH PRC (AP SUN, WP).
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11. IN HK, JOC'S STRAUSS REPORTS PRC IS EYEING POTENTIAL OF CONTAINER SHIP CONCEPTS. CITES EXTRACTS FROM PRACTICAL SCIENCE MAGAZINE ARTICLE, FIRST ON CONTAINERIZATION KNOWN TO HAVE BEEN PUBLISHED IN PRC.

JAPAN

12. FINANCE MINISTRY'S INAMURA EXPECTS NO GREAT DELAY IN JOINT USJAPANESE VENTURE TO DEVELOP SIBERIAN NATURAL RESOURCES, DESPITE OPPOSITION IN US CONGRESS; SAYS OPINION BASED ON CONTACT BETWEEN US TREASURY AND FINANCE MINISTRY. JAPANESE PRESS REPORTS ARDOR FOR PROJECT COOLING WITH THOUGHT OF US NON-PARTICIPATION. SOME POINT OUT PROBLEM OF RUSSIAN JEWS AND OTHER DIFFICULTIES, SAYING CHANGING CONGRESS' VIEW WILL NOT BE EASY (JOC'S CULLISON).

13. CSM'S ELIZABETH POND REPORTS THAT JAPANESE ARE BEGINNING TO TAKE NOTE OF PROTESTS ON WHALING, THOUGH THEY ARE NOT SOFTENING THEIR OPPOSITION TO MORATORIUM. CONSERVATIONISTS ARE GETTING HEARING IN JAPAN'S PRESS. A RECENT MAINICHI EDITORIAL SAYS, "THERE IS NEED FOR SERIOUS REFLECTION ON THE PART OF THE JAPANESE WHALING INDUSTRY."

14. MITI'S YAMASHITA SEES POSSIBILITY OF NEAR ZERO GROWTH FOR JAPAN THIS YEAR. SAYS IF GROWTH LEVEL CAN BE KEPT AS LOW NEXT YEAR, JAPAN MAY BE ABLE TO ENJOY STABLE GROWTH OF 5-6 PERCENT ANNUALLY IN AND AFTER 1976 (JOC).

15. JAPANESE DENY TREASURY CHARGE OF DUMPING HAND TOOLS ON US MARKET (AWSJ).

16. LARGE SOVIET PURCHASES GIVE SAGGING JAPANESE PEARL INDUSTRY RAY OF HOPE. OUTPUT TODAY ONE-THIRD PRODUCTION OF 10 YEARS AGO (OFUSA IN NYT).

17. AMERICAN INVESTMENT IN SEA GIVES RISE TO

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LITTLE PROTEST. MOST DIRECTED AGAINST JAPANESE
INVESTMENT WHICH IS GREATER AND MORE VISIBLE (NYT).

PHILIPPINES

18. FORTY-THREE PERSONS REPORTED DEAD AND 17
MISSING AFTER MOSLEM VIOLENCE ON MINDANAO. ARTILLERY
AND JET FIGHTERS CALLED IN TO DEAL WITH REBELS.
GEN. ABAT SAYS RAIDS AIMED TO BRING MOSLEM STRUGGLE
TO ATTENTION OF ISLAMIC FOREIGN MINISTERS MEETING
IN KL. AT CONFERENCE THERE, BYAN FM OBEIDI
ACCUSES MARCOS OF CARRYING OUT POLICY OF GENOCIDE
(AP SUN, PHINQ, NYDN, CHITRIB, WP).

MALAYSIA

19. AS HOST TO ISLAMIC FOREIGN MINISTERS' CONFERENCE
IN KL, GOM SEEKS TO AVOID CONTROVERSY ON QUESTION
OF SECESSIONIST REBELLION OF MOSLEM FILIPINOS.
GOP CLAIMS INSURGENTS RECEIVE MALAYSIAN SUPPORT,
OR AT LEAST AID FROM SABAH. THIS DENIED BY MALAYSIA,
WHICH SEEKS DIPLOMATIC SETTLEMENT OF QUESTION.
INDONESIA HAS BEEN ACTING AS MEDIATOR IN EFFORTS
TO MAINTAIN REGIONAL STABILITY. SCHANBERG (NYT)
SAYS SO FAR, CONFERENCE HAS BEEN DISTINGUISHED
BY "LOFTINESS OF ITS RHETORIC AND THE FUZZINESS
OF ITS ACTUAL PROGRAM."

AUSTRALIA

20. AUSTRALIA'S LABOR GOVT PLANS LARGER ROLE
IN DEVELOPING OIL AND GAS RESERVES. SEEKS ESTABLISHMENT
OF PETROLEUM AND MINERALS AUTHORITY TO EXPLORE
FOR AND DEVELOP OIL AND GAS, AS WELL AS HARD MINERALS.
NO PLANS FOR EXPORT UNTIL DOMESTIC NEEDS SURPASSED
(WSJ).

GENERAL

21. JAPAN, TAIWAN, AND SK SEEK INFORMATION ON TECHNOLOGY
DESIGNED TO RECYCLE MANURE INTO FEED, FUEL, AND
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FERTILIZER (STERBA, NYT).

COMMENT AND ANALYSIS

22. CSM DESCRIBES WHITLAM'S ELECTION WIN "A MUTED

VICTORY," NOTING ALP LOST A FEW SEATS IN HOUSE
BUT IMPROVED ITS POSITION IN SENATE WHILE FAILING
TO GAIN CONTROL.

OBSERVES THAT WHITLAM HAS IN-HOUSE DIFFICULTIES WITHIN
HIS OWN PARTY, AND THAT HIS NEW MANDATE LACKS
BACKING FROM COUNTRY THAT HE HOPED FOR. BUT THIS
SITUATION IS UNLIKELY TO DETER WHITLAM FROM PRESSING
AHEAD WITH PROGRAM "TO GIVE AUSTRALIA THE GO-AHEAD",
AND HIS PROSPECTS FOR IMPLEMENTING IT ARE BETTER
NOW THAN THEY WERE UNDER OLD PARLIAMENT.

23. CSM'S SOUTHERLAND IN BRISBANE REPORTS BACKFIRING
OF CHINESE ATTEMPTS TO PREVENT AUSTRALIAN SCREENING
OF CONTROVERSIAL ANTONIONI FILM ON MODERN CHINA.
CHINESE VIGOROUSLY PROTESTED ABC DECISION TO SHOW
FILM ON TV IN AUSTRALIA, AND ORGANIZERS OF FILM
FESTIVAL IN SYDNEY EARLIER IGNORED CHINESE OBJECTIONS
AND SCREENED FILM. ORGANIZERS OF YET ANOTHER
AUSSIE FILM FESTIVAL, MELBOURNE, WITHDREW FILM
AFTER A THEATRICAL EMPLOYEES ASSOCIATE REPORTED
RECEIVING ANONYMOUS THREATS OF VIOLENCE TO THEATER
EMPLOYEES. BUT ABC DECISION TO GIVE FILM NATIONWIDE
EXPOSURE SEEM TO HAVE DISTURBED CHINESE MOST.

CHINESE SENSITIVITY OVER FILM REFLECTED IN
FAILURE OF SENIOR CHINESE FM OFFICIALS TO ATTEND
DINNER IN PEKING ORGANIZED BY AUSSIE AMBASSADOR
FITZGERALD. OFFICIALS LATER TOLD HIM THAT THEIR
ACTION WAS DIRECTED NOT AGAINST GOA BUT AGAINST
AUSSIE CORRESPONDENTS WHO WERE PRESENT AT DINNER.
WHITLAM HAS TAKEN FIRM LINE TOWARD CHINESE AS
FAR AS ANTONIONI FILM IS CONCERNED; HE SAID HE
HAD NOT SEEN FILM BUT THAT HE WAS SURPRISED THAT
THERE SHOULD HAVE BEEN ANY ATTEMPT TO PREVENT
SCREENING OF ANY FILM, ADDING, "THE ONLY THING
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THAT COMES WITHIN AUSTRALIAN GOVERNMENT JURISDICTION
BY ANY STRETCH OF THE IMAGINATION IS THE ABC.
WELL THE ABC UNDER THIS GOVERNMENT IS FREE TO
DO WHAT IT LIKES".

SEVERAL AUSSIE COMMENTATORS EXPRESSED PUZZLEMENT
AS TO WHY CHINESE SHOULD HAVE OBJECTED SO MUCH
TO ANTONIONI FILM, AND PRESTIGIOUS MELBOURNE "AGE"
SAID "THE MISTAKE THE CHINESE MADE WAS IN THINKING
THAT THE AUSTRALIAN GOVERNMENT WOULD BOW TO DIPLOMATIC
PRESSURE AND STEP IN AND EXERCISE WHAT AMOUNTS
TO POLITICAL CENSORSHIP"..AGE" EDITORIALY COMMENTE;
THAT CHINESE FM OFFICIALS' REFUSAL TO DINE WITH-
AUSSIE CORRESPONDENTS IN PEKING WAS "FURTHER PROOF

THAT THE LONG-ISOLATED CHINESE ARE STILL OUT OF TOUCH WITH WESTERN WAYS AND HABITS." THE "AUSTRALIAN" SAID MOST WESTERN SPECTATORS HAD ACTUALLY FOUND ANTONIONI FILM "EXTREMELY SYMPATHETIC TOWARD CHINA...WHEN THE CHINESE GO ON TO ARGUE THAT THE ENTIRE FILM WAS A DELIBERATELY CONTRIVED PROPAGANDA TOOL OF THE 'INTERNATIONAL ANTI-CHINA CONSPIRACY,' HEADED BY THE SOVIET UNION AND FINANCED BY AMERICA, IT IS PLAIN THAT PEKING IS IN A TOTALLY DIFFERENT WORLD FROM THE REST OF US."

JAPAN

24. CSM NOTES JAPANESE AND SOVIET DEFIANCE OF INTERNATIONALLY ESTABLISHED QUOTAS FOR WHALING. ALSO NOTES THAT OVERKILLING POSES SUCH A THREAT OF EXTINCTION THAT MORE THAN A DOZEN HUMANE AND ENVIRONMENTAL ORGANIZATIONS HAVE JOINED IN ASKING FOR BOYCOTT OF SOVIET AND JAPANESE GOODS AS PRESSURE TOWARD MORATORIUM ON WHALING WHEN IWC MEETS THIS WEEK. ADDS WHETHER OR NOT BOYCOTT WILL INFLUENCE WHALE SLAUGHTERERS, THEY SHOULD RESPOND TO WIDESPREAD CONCERN IT REPRESENTS AND IN NAME OF HUMANITY CHANGE THEIR WAYS.

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25. NYT'S LELYVELD IN BALIKPAPAN DOES LENGTHY FEATURE ON AMERICAN MULTINATIONAL CORPORATIONS SCRAMBLING FOR RESOURCES IN SEA AND, IN THE PROCESS, CREATING FOR US A MAJOR ECON STAKE IN THE REGION. CITING AMERICAN BANKER IN SINGAPORE THAT DOING BUSINESS IN REGION IS "NECESSITY FOR AMERICAN GROWTH," LELYVELD SAYS WHAT SUCH GROWTH MEANS IN ASIAN PERSPECTIVE IS ANOTHER QUESTION. TEN YEARS AGO, MOST IMPORTANT ECON STATISTICS IN POOR COUNTRY WAS THOUGHT TO BE GROWTH RATE; IF IT COULD BE STOKED UP TO THEORETICAL "TAKE-OFF POINT," ACCORDING TO THEORY, IT COULD BECOME SELF-SUSTAINING AND SOLVE ITS OWN PROBLEMS.

HOWEVER, IT HAS BEEN DISCOVERED THAT RISE IN GNP IS CONSISTENT WITH INCREASES IN ILLITERACY, MALNUTRITION, UNEMPLOYMENT AND HUMAN MISERY GENERALLY. GIVEN ASIA'S INTRACTABLE MASS POVERTY, ISSUE IS

NOT HOW MUCH GROWTH THERE IS BUT HOW MANY PEOPLE SHARE IT. THAT THE QUESTION HAS POLITICAL IMPLICATIONS FOR US WAS RECOGNIZED LAST SUMMER BY SFRC, SAYS LELYVELD, WHICH TOOK NOTE IN A REPORT OF THE "INCREASING

DOUBT THAT FOREIGN INVESTMENT IS NECESSARILY A POSITIVE FACTOR IN THE DEVELOPMENT OF THE POOR COUNTRIES." SFRC HEARD TESTIMONY MAKING STANDARD CASE AGAINST FOREIGN INVESTOR: NOT ONLY THAT HE HAULS AWAY HUGE PROFITS, LEADING TO CHRONIC B/P DIFFICULTIES, BUT THAT HE BRINGS IN HOPELESSLY DISTORTED PATTERN OF CONSUMPTION AND TECHNOLOGY - PRIVATE CARS INSTEAD OF MASS TRANSIT, AUTOMATED FACTORIES THAT PROVIDE FEW JOBS.

ECONOMIST TOLD SFRC THAT ALTERNATIVE FOR POOR COUNTRIES WAS TO PULL BACK FROM INTERNATIONAL "EXPORT SYSTEM" IN FAVOR OF "AN AUTONOMOUS INDUSTRIALIZATIO EITHER REGIONALLY OR INTERNATIONALLY." UNDER THAT PRESCRIPTION THEY WOULD CONCENTRATE ON "INCREASING SUPPLIES FOR THE VAST POPULATION" AND NOT ON "PROVIDING FOR THE NEEDS OF OTHER COUNTRIES." BUT HAVING UNCLASSIFIED

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SAID THAT, THE ECONOMIST ADDED THAT THESE WERE "ALMOST IMPOSSIBLE HOPES IN THE PRESENT INTERNATIONAL SYSTEM." IN THE END THE SFRC REACHED WHAT IT CALLED AN "AGNOSTIC CONCLUSION" ON ISSUE, SAYING IT WAS SKEPTICAL OF ANY PROMISES THAT US EFFORTS COULD HELP DEVELOPMENT IN OTHER COUNTRIES.

LAOS

.6. NYT'S FINNEY REPORTS SENATOR KENNEDY EXPRESSING CONCERN THAT US, THROUGH ECON AND MIL AID TO ONE LAOTIAN FACTION, MIGHT BE PERPETUATING POLITICAL DIVISION DESPITE FORMATION OF COALITION GOVT. ISSUES SUMMARY OF GAO REPORT (CLASSIFIED SECRET AT ADMIN INSISTENCE) ON ECON AID PROGRAM IN LAOS. REPORT SHOWS THAT ECON AID WAS GOING ALMOST ENTIRELY FOR REFUGEES AND VILLAGES IN RLG-CONTROLLED AREAS. DOS AND DOD OFFICIALS SAY SAME HELD TRUE FOR MIL AID, WHICH WENT EXCLUSIVELY TO RLG MIL UNITS. FOR COMING FY, ADMIN HAS ASKED FOR \$55.2 MILLION IN ECON AID AND \$86. MILLION IN MIL AID FOR LAOS. ADMIN TESTIMONY BROADLY DISCUSSED AID TO MAINTAIN NEUTRAL LAOS, BUT OFFICIALS ACKNOWLEDGE THAT ACCORDING TO PRESENT PLANS MOST WOULD GO TO RLG. DOS OFFICIALS EXPLAIN THAT ECON AID WAS GOING INTO RLG AREAS

BECAUSE US WAS CONTINUING EXISTING PROGRAMS; AT SAME TIME, THEY SAY US NOT FIXED IN THIS POLICY AND HAD TOLD NEW GOVT. THAT IT WAS WILLING TO GIVE AID TO PROVISIONAL GOVT THAT MIGHT BE CHanneled TO PL. ACCORDING TO ONE DOS OFFICIAL, SO FAR THERE HAS BEEN NO DIRECT REQUEST FROM PL FOR ECON AID FOR ITS ZONE.

27. THERE ARE INDICATIONS, ACCORDING FINNEY, THAT SHIFT IN POLICY WOULD BE RESISTED IN CERTAIN DOS CIRCLES OPPOSING US AID GOING INTO COMMUNIST-CONTROLLED AREAS OF INDOCHINA, INCLUDING HUMANITARIAN AID PROVIDED THROUGH UN OR ICRC. ACCORDING OFFICIALS, AMBASSADOR MARTIN SENT CABLE TO DOS URGING THAT NO MONEY BE PUT INTO RED CROSS OPERATIONS IN INDOCHINA
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SO LONG AS ICRC "KICKS USG AROUND," AND SUGGESTED THAT COMMITTEE WAS COURTING COMMUNIST SIDE.

28. ON MIL AID, OFFICIALS SAY CONTINUED SUPPORT OF RLG FORCES NECESSARY TO "MAINTAIN A BALANCE" WITH PL FORCES, WHICH STILL BEING SUPPORTED BY NVN. CITES VADM PEET TELLING HFAC LAST WEEK THAT US SECURITY OBJECTIVES IN LAOS WERE "TO SUPPORT A BALANCED FORCE WHICH IS OF SUFFICIENT SIZE AND STRENGTH TO MAINTAIN THE SURVIVAL OF THE POLITICALLY NEUTRAL" RLG AND INDEPENDENCE OF THE PEOPLE, AND "TO ENCOURAGE PURSUIT BY LAOS OF OBJECTIVES COMPATIBLE WITH UNITED STATES INTERESTS." PEET DID NOT POINT OUT THAT "BALANCED FORCE" MEANT GIVING MIL AID EXCLUSIVELY TO ROYAL LAO FORCES. KISSINGER

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BIEN HOA
CAN THO
DANANG
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